

Public Hearing –March 1, 2022
Insurance Committee

Testimony Submitted by Commissioner Katie S. Dykes

SB-14 An Act Concerning Home Energy Affordability for Home Buyers

Thank you for the opportunity to present testimony regarding **Senate Bill No. SB 14 – An Act Concerning Home Energy Affordability for Home Buyers**. The purpose of this bill is to increase transparency of potential energy costs for prospective home buyers, so that buyers can more accurately assess the cost of living in a property.

DEEP **supports** this bill because of the urgent need to provide home buyers with more information regarding energy costs and what they can expect to pay before they commit to a new home. Disclosing this information through a home energy label will help people choose homes they can afford to heat and cool, while giving an incentive to property owners to participate in Connecticut's award-winning Conservation and Load Management programs and increase the energy efficiency of their homes and buildings.

This bill puts more control over energy use into the hands of consumers. It requires property owners to provide information about a home's energy consumption to potential buyers through a home energy label. Home energy labels, such as the U.S. Department of Energy's (DOE) Home Energy Score, act like a "miles-per-gallon" rating for a home, giving buyers the power to choose to live in a more efficient home. There is an analogue bill before the Housing Committee (House Bill No. HB 5041) that would apply the same requirement to properties listed for rent.

For many residents, energy bills are the highest annual housing cost outside of mortgage payments or rent. The DOE estimates that, on average, the annual energy cost for single-family homes in Connecticut is approximately \$3,600, the second highest in the nation. This signals that energy information is a critical variable in addressing housing affordability. The availability of energy labels will enable buyers to find affordable housing that fits their budgets.

According to the Energy Information Administration, one in three households face challenges in meeting their energy needs. In Connecticut, the DOE reports that the energy burden for low-income households is 8-19 percent of income on average, above the commonly cited 6 percent affordability threshold. Inability to pay can result in utility shutoffs, which is one of the primary causes of homelessness in the United States.

This proposed bill will also provide an incentive for property owners to make their buildings more efficient, an important strategy to reducing building sector greenhouse gas emissions and increasing energy affordability.

Owners of single-family homes or duplexes can choose to comply with this proposed bill by disclosing a Home Energy Score. A Home Energy Score can be obtained by participating in the Home Energy Solutions program offered through Connecticut's Conservation and Load Management Plan. For a co-pay of only \$50 (or \$0 for income-eligible customers), participating building owners receive a variety of energy efficiency services such as air sealing and LED lightbulbs, as well as a Home Energy Score. The average home will save enough energy to offset the \$50 cost in one heating season.

The Home Energy Score (Score) rating system allows for an apples-to-apples comparison of single-family homes. It is asset-based, meaning it only accounts for the efficiency of a home's envelope, roof, HVAC equipment, and other characteristics; thus eliminating the influence of occupant preferences such as thermostat settings and standardizing a home's efficiency level. The Score also provides homeowners a list of recommended, cost-effective energy efficiency upgrades that will improve their Score further and reduce energy costs. To date, Connecticut has generated over 46,000 Scores, most of them through the Conservation and Load Management Plan's flagship Home Energy Solutions program, which is delivered by over 30 different vendors statewide.

Homeowners can also comply through the disclosure of a Home Energy Rating System (HERS) Index score. HERS ratings are typically performed on newly constructed buildings and demonstrates how a building's efficiency compares to a designed model home of the same size and shape. Like the Home Energy Score, the HERS rating does not account for occupant behavior.

The proposal also gives DEEP the authority to adopt new home energy labels as appropriate, and DEEP is exploring the possibility of adopting self-reported home energy labels that would make the process easier for residents while maintaining rigorous verification standards. The proposal would not go into effect until next year, and excludes newer, more energy efficient homes built after 2000. This will give residents and the associated energy efficiency workforce time to adapt to the new requirements while focusing the efforts of such workforce on older, more energy inefficient homes.

DEEP notes that there are resources available to property owners through the Home Energy Solutions program and the Weatherization Assistance Program, including programs that focus on renters with low income. These programs include incentives for energy-savings measures like insulation and efficient appliances. Residents and landlords whose tenants meet certain income requirements may participate in income-eligible programs with \$0 copays and enhanced incentives.

Providing energy information to homebuyers has not been shown to negatively impact home sellers. Surveys from the National Association of REALTORS show that energy efficiency is consistently an important factor in home buyers' decision making. Multiple studies have found that homes listed for sale that disclosed energy costs, even when costs were high, spent less time on the market and closed at a higher percentage of the asking price than homes that did not disclose this information.¹ In other studies, homes with energy efficient features have been shown to sell at a premium.²

¹ Elevate Energy. (2015, April 21). Energy Cost Disclosures in Chicago Residential Listings: Eighteen Months Out.

Several jurisdictions across the country have adopted energy disclosure or labeling requirements similar to this proposed bill. Portland, Oregon requires homeowners to obtain and advertise a Home Energy Score when listing a home for sale. Since Portland passed this ordinance in 2018, 20,000 homes have received scores and program evaluations found no significant disruption to the real estate industry.³ An analysis of energy disclosure requirements in Austin, Texas found that energy labeling created a price premium for energy efficient homes and increased participation in energy efficiency programs. Six cities and five states have some form of mandatory residential energy disclosure [requirements](#), including Alaska, Hawaii, Kansas, Maine, and South Dakota.

DEEP recognizes that this bill places new responsibilities on realtors both in ensuring energy information is accurately included in a listing and learning how to interpret its meaning. DEEP stands ready to support realtors in marketing and interpreting home energy information and labels for prospective buyers and sellers. Connecticut already has a fully functioning database that accurately stores and transmits home energy data with a homeowner's consent to the Multiple Listing Services, and DEEP was granted funds from the U.S. Department of Energy to establish an energy education program for real estate professionals. DEEP will hold the first round of realtor trainings in Spring 2022, which will cover, among other things, how to obtain and interpret home energy labels. DEEP welcomes the input of the real estate industry on the design of this program so that it is as valuable and useful as possible.

Thank you for the opportunity to present testimony on this proposal. Should you have any questions, please do not hesitate to contact the Department's Legislative Liaison, Harrison Nantz, at Harrison.Nantz@ct.gov.

Retrieved from www.elevateenergy.org; https://www.elevateenergy.org/wp/wp-content/uploads/ECD_Analysis_YEAR2.pdf

² Kahn, M.E., & Kok, N. (2014) The capitalization of green labels in the California housing market. *Regional Science and Urban Economics*, 25-34.

³ See Portland Bureau of Sustainability Planning, Report to City Council on Residential Energy Performance Rating and Disclosure (Ordinance No. 188143), October 2020, *available at*: <https://www.portland.gov/sites/default/files/2020/report-to-portland-city-council-on-residential-energy-performance-rating-and-disclosure-ordinance-no.-188143.pdf>